

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Credit Enhancement Program
Activity Status Report

ITEM NUMBER: 9

ATTACHMENT(S): 1a

ACTION: _____

DATE OF MEETING: November 6, 2002

INFORMATION: X

PRESENTER(S): Jean Kushida Uda

CalSTRS underwrote a confirming letter of credit in support of the \$4.3 million City of Riverside Industrial Development Authority Revenue Bonds (Trademark Plastics, Inc. Project). CalSTRS will be backing a California-based bank, and CalSTRS will be in the second loss position. Trademark Plastics manufactures and distributes injection molded plastic components for the medical industry and consumer use. The bond proceeds will be used for (1) acquisition of the real property and improvements, (2) acquisition and installation of manufacturing equipment at the project location. The new site will be in the Agua Mansa Enterprise Zone in Riverside, California. The confirming letter of credit will be for three years. The bond issue closed in September.

Transaction	LOC #	Type	Closing Date	End of Commitment	Principal Commitment	Interest Commitment	Total Commitment	Fiscal 2002-03 Fee Income	Fee Income To Date
DIRECT RISK									
Port of Long Beach	--	Liquidity	Jul-01	Jul-06	\$87,500,000	\$0	\$87,500,000	\$39,267	\$708,194
LA Fairplex	34	Credit	Sep-00	Sep-07	\$19,700,000	\$265,545	\$19,965,545	\$51,023	\$728,699
Pasadena Parking Authority	41	Credit	Jul-01	Jul-04	\$7,850,000	\$605,104	\$8,455,104	\$9,486	\$37,724
Pasadena Rosebowl	42	Credit	Jul-01	Jul-04	\$13,850,000	\$245,885	\$14,095,885	\$15,015	\$60,228
Kern High School 1995A	43	Credit	Aug-01	Aug-04	\$5,800,000	\$114,411	\$5,914,411	\$8,873	\$29,584
Kern High School 1995B	44	Credit	Aug-01	Aug-04	\$4,425,000	\$87,288	\$4,512,288	\$6,762	\$22,556
CHFA HMRB 1999 Series P & Q	28a	Liquidity	Dec-99	Apr-04	\$6,865,000	\$425,630	\$7,290,630	\$4,121	\$55,241
CHFA Multi-family 2000 A & B	36	Liquidity	Nov-00	Jul-05	\$24,710,000	\$1,532,020	\$26,242,020	\$14,639	\$95,731
CHFA Multi-family 2000 C & D	37	Liquidity	Nov-00	Nov-05	\$20,482,500	\$1,269,915	\$21,752,415	\$12,142	\$79,272
Kern High School 2001	45	Credit	Aug-01	Aug-04	\$12,853,000	\$301,688	\$13,154,688	\$20,170	\$63,739
Lewis & Clark 2000 Series A	50	Credit	Jun-02	Jun-05	\$25,000,000	\$2,284,932	\$27,284,932	\$47,749	\$47,749
Lewis & Clark 2002 Series A	51	Credit	Jun-02	Jun-05	\$10,000,000	\$157,808	\$10,157,808	\$13,233	\$13,233
Public Policy Institute 2001A	48a	Liquidity	Jun-02	Jun-07	\$6,532,500	\$73,021	\$6,605,521	\$10,128	\$13,211
Public Policy Institute 2001B	48b	Liquidity	Jun-02	Jun-07	\$10,217,500	\$114,212	\$10,331,712	\$15,842	\$20,663
DIRECT RISK SUBTOTAL					\$255,785,500	\$7,477,459	\$263,262,959	\$268,450	\$1,975,824
DIRECT RISK - SECURED									
Buck Research on Aging	46	Credit	Dec-01	Dec-06	\$27,800,000	\$402,148	\$28,202,148	\$50,451	\$123,933
BOND INSURED									
Adventist West	--	Liquidity	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$43,279	\$747,450
Fremont-Rideout Health Group	--	Liquidity	May-02	Jul-07	\$25,000,000	\$558,904	\$25,558,904	\$19,595	\$19,595
CHFA 1998 Series P	27a	Liquidity	Apr-99	Dec-04	\$9,125,000	\$707,188	\$9,832,188	\$3,977	\$46,395
CHFA 1998 Series T	27b	Liquidity	Apr-99	Dec-04	\$4,793,750	\$371,516	\$5,165,266	\$2,089	\$23,262
CHFA 1998 Series M	27c	Liquidity	Apr-99	Dec-04	\$15,076,000	\$1,168,390	\$16,244,390	\$6,590	\$89,543
CHFA 1999 Series O	28b	Liquidity	Dec-99	Apr-04	\$16,285,000	\$1,262,088	\$17,547,088	\$7,700	\$89,552
CHFA 2000 Series C	29a	Liquidity	Jan-00	Apr-04	\$10,625,000	\$658,750	\$11,283,750	\$4,564	\$44,433
CHFA 2000 Series D	29b	Liquidity	Jan-00	Apr-04	\$17,696,250	\$1,371,459	\$19,067,709	\$8,211	\$86,773
CHFA 2000 Series G	29c	Liquidity	Apr-00	Apr-04	\$17,233,750	\$1,068,493	\$18,302,243	\$7,452	\$67,225
CHFA 2000 Series H	29d	Liquidity	Apr-00	Apr-04	\$25,167,500	\$1,950,481	\$27,117,981	\$11,664	\$112,577
CHFA 2000 Series J, L, N	29e	Liquidity	May-00	May-03	\$29,546,250	\$2,289,834	\$31,836,084	\$13,001	\$110,982
CHFA 2000 Series K	29f	Liquidity	May-00	May-03	\$28,541,250	\$3,686,578	\$32,227,828	\$13,416	\$115,035
CHFA 2000 Series U	35	Liquidity	Oct-00	Oct-03	\$9,675,000	\$739,541	\$10,414,541	\$8,983	\$36,040
CHFA 2000 Series X-1 & X-2	38	Liquidity	Dec-00	Dec-03	\$13,831,250	\$1,057,238	\$14,888,488	\$12,902	\$47,286
CHFA 2001 Series C	39a	Liquidity	Jan-01	Jan-06	\$2,978,750	\$227,691	\$3,206,441	\$0	\$5,824
CHFA 2001 Series F	39b	Liquidity	Apr-01	Apr-03	\$6,250,000	\$477,740	\$6,727,740	\$1,547	\$9,150
The RAND Corporation	49	Liquidity	Jul-02	Jul-05	\$47,500,000	\$1,089,863	\$48,032,981	\$30,354	\$30,354
BOND INSURED SUBTOTAL					\$393,824,750	\$20,379,727	\$413,647,595	\$195,324	\$1,681,476

Transaction	LOC #	Type	Closing Date	End of Commitment	Principal Commitment	Interest Commitment	Total Commitment	Fiscal 2002-03 Fee Income	Fee Income To Date
DIRECT PAY LETTERS OF CREDIT									
APM, Inc. Series 1994A	25	Credit	Aug-99	Aug-05	\$300,000	\$6,707	\$306,707	\$653	\$9,616
Altamont/Pkging Series 1994A	25	Credit	Aug-99	Aug-05	\$2,290,000	\$51,196	\$2,341,196	\$1,684	\$20,475
DV Packaging/La Barbera	25	Credit	Aug-99	Aug-05	\$1,020,000	\$22,803	\$1,042,803	\$1,000	\$13,786
Wilson Entities	24	Credit	Sep-99	Aug-05	\$2,300,000	\$51,419	\$2,351,419	\$1,802	\$21,670
Tulip Corporation	31	Credit	Jul-00	Jul-05	\$2,000,000	\$44,712	\$2,044,712	\$0	\$15,931
Santa Clara 1997A (5 yr term)	33	Credit	Aug-00	Aug-07	\$4,235,000	\$71,009	\$4,306,009	\$8,331	\$26,836
Propak of California	1	Credit	Nov-94	Nov-04	\$1,985,000	\$44,377	\$2,029,377	\$1,736	\$76,651
J. Michelle/Edie Lee	1	Credit	Nov-94	Nov-04	\$1,340,000	\$29,957	\$1,369,957	\$1,405	\$72,275
Pasco Scientific	1	Credit	Nov-94	Nov-04	\$1,805,000	\$40,353	\$1,845,353	\$1,981	\$78,041
American River Packaging	1	Credit	Nov-94	Nov-04	\$1,645,000	\$36,776	\$1,681,776	\$1,684	\$55,402
Intermountain Trading	2	Credit	Feb-95	Jan-05	\$160,000	\$3,577	\$163,577	\$354	\$14,583
Andercraft Products	2	Credit	Feb-95	Jan-05	\$475,000	\$10,619	\$485,619	\$1,042	\$43,500
Sunclipse, Inc. (Alhambra)	2	Credit	Feb-95	Jan-05	\$3,200,000	\$71,540	\$3,271,540	\$3,106	\$90,402
Sunclipse, Inc. (Union City)	2	Credit	Feb-95	Jan-05	\$2,135,000	\$47,730	\$2,182,730	\$2,132	\$64,311
Busseto Foods, Inc. (Rapelli)	2	Credit	Feb-95	Jan-05	\$2,500,000	\$55,890	\$2,555,890	\$2,466	\$71,259
American Zettler	4	Credit	Mar-95	Mar-05	\$1,800,000	\$40,241	\$1,840,241	\$1,931	\$55,081
Contech Engineering Prod.	4	Credit	Mar-95	Mar-05	\$690,000	\$15,426	\$705,426	\$1,086	\$35,611
Evapco, Inc.	4	Credit	Mar-95	Mar-05	\$315,000	\$7,042	\$322,042	\$547	\$15,303
Florestone Products Co.	4	Credit	Mar-95	Mar-05	\$940,000	\$21,015	\$961,015	\$1,173	\$40,367
Grundfos Pumps Company	4	Credit	Mar-95	Mar-05	\$6,000,000	\$134,137	\$6,134,137	\$5,568	\$150,088
NRI, Inc.	4	Credit	Mar-95	Mar-05	\$1,135,000	\$25,374	\$1,160,374	\$1,333	\$52,608
W & H Voortman, Inc.	4	Credit	Mar-95	Mar-05	\$2,220,000	\$49,631	\$2,269,631	\$2,003	\$55,796
Allwire, Inc.	6	Credit	Mar-95	Mar-05	\$180,000	\$4,024	\$184,024	\$492	\$17,169
Fairway Real Estate	6	Credit	Mar-95	Mar-05	\$360,000	\$8,048	\$368,048	\$958	\$37,506
S & P Investments	6	Credit	Mar-95	Mar-05	\$780,000	\$17,438	\$797,438	\$1,109	\$38,196
Northwest Pipe & Casing	7	Credit	Apr-95	Apr-05	\$2,000,000	\$44,712	\$2,044,712	\$2,580	\$88,133
Zieman Manufacturing	7	Credit	Apr-95	Apr-05	\$280,000	\$6,260	\$286,260	\$877	\$21,879
Carvin Corporation	8	Credit	Jun-95	Jun-05	\$105,000	\$2,347	\$107,347	\$1,114	\$65,776
Kennerley-Spratling	8	Credit	Jun-95	Jun-05	\$1,700,000	\$38,005	\$1,738,005	\$1,994	\$80,664
Walker Spring and Stamping Corp.	9	Credit	Sep-95	Sep-05	\$2,720,000	\$60,809	\$2,780,809	\$2,759	\$89,488
South Bay Circuits, Inc.	9	Credit	Sep-95	Sep-05	\$1,200,000	\$26,827	\$1,226,827	\$1,415	\$49,957
Red Line Oil Co.	10	Credit	Nov-95	Nov-04	\$930,000	\$20,791	\$950,791	\$1,150	\$33,089
Peet's Coffee	10	Credit	Nov-95	Nov-04	\$1,300,000	\$29,063	\$1,329,063	\$1,489	\$68,561
Safariland	13	Credit	Oct-96	Oct-04	\$2,800,000	\$57,995	\$2,857,995	\$0	\$48,580
Control Air Conditioning	18	Credit	May-97	May-05	\$4,200,000	\$75,945	\$4,275,945	\$0	\$107,044
Cordeiro Vault Co., Inc.	15	Credit	Dec-96	Dec-04	\$475,000	\$10,619	\$485,619	\$796	\$31,353
Fibrebond West, Inc.	17	Credit	Dec-96	Dec-04	\$3,790,000	\$84,730	\$3,874,730	\$3,766	\$136,976
DIRECT PAY LETTERS OF CREDIT SUBTOTAL					\$63,310,000	\$1,369,144	\$64,679,144	\$63,516	\$1,993,963

CalSTRS CREDIT ENHANCEMENT PROGRAM
PROGRAM SUMMARY AS OF SEPTEMBER 30, 2002

Transaction	LOC #	Type	Closing Date	End of Commitment	Principal Commitment	Interest Commitment	Total Commitment	Fiscal 2002-03 Fee Income	Fee Income To Date
CONFIRMING LETTERS OF CREDIT & OTHER INDIRECT RISK									
Monrovia Redevelopment Agency	CLOC 3	Credit	Jan-98	Jan-03	\$8,300,000	\$221,712	\$8,521,712	\$4,218	\$93,144
St. Vincent de Paul	CLOC 7	Credit	May-99	May-05	\$7,485,000	\$110,737	\$7,595,737	\$6,720	\$96,540
Delta Tau Data Systems	CLOC 8	Credit	Aug-98	Aug-05	\$5,545,000	\$82,036	\$5,627,036	\$5,584	\$99,938
Dix Metals	CLOC 9	Credit	Sep-98	Sep-05	\$4,815,000	\$71,236	\$4,886,236	\$0	\$74,572
City of Fillmore	CLOC 10	Credit	Sep-98	Sep-05	\$10,120,000	\$192,973	\$10,312,973	\$0	\$77,061
Accurate Engineering	CLOC 12	Credit	Oct-98	Oct-04	\$4,045,000	\$59,844	\$4,104,844	\$2,148	\$40,847
The Terraces/Park Marino	CLOC 13	Credit	Oct-98	Oct-04	\$7,775,000	\$127,808	\$7,902,808	\$7,991	\$131,976
Santa Paula (Water Supply)	CLOC 14	Credit	Nov-98	Nov-04	\$23,500,000	\$448,110	\$23,948,110	\$12,107	\$170,388
Mission Viejo	CLOC 15	Credit	May-99	May-06	\$31,100,000	\$2,177,852	\$33,277,852	\$0	\$276,622
City of Fillmore	CLOC 16	Credit	Mar-99	Jun-05	\$7,345,000	\$137,643	\$7,482,643	\$0	\$48,305
City of Ontario	CLOC 17	Credit	Apr-99	Apr-05	\$8,020,000	\$147,656	\$8,167,656	\$0	\$58,542
City of Ontario	CLOC 18	Credit	Apr-99	Apr-05	\$6,315,000	\$114,189	\$6,429,189	\$0	\$46,618
Watt Four	CLOC 19	Credit	May-99	May-05	\$2,240,000	\$37,558	\$2,277,558	\$0	\$38,367
Evergreen	CLOC 20	Credit	Jun-99	Jun-05	\$2,303,750	\$34,083	\$2,337,833	\$1,477	\$24,334
Fontana Redevelopment	CLOC 21	Credit	Jun-99	Jun-05	\$3,114,361	\$0	\$3,114,361	\$0	\$25,001
New United Motor (NUMMI)	CLOC 22	Credit	Jun-99	May-03	\$11,015,000	\$130,369	\$11,145,369	\$9,861	\$109,658
Inland	CLOC 23	Credit	Jun-99	Jun-05	\$44,485,000	\$2,925,041	\$47,410,041	\$23,968	\$336,348
Alameda Point	CLOC 26	Credit	Sep-99	Sep-05	\$10,000,000	\$391,233	\$10,391,233	\$0	\$58,422
Apple Valley	CLOC 27	Credit	Sep-99	Sep-05	\$5,325,000	\$208,332	\$5,533,332	\$0	\$34,094
Primero Grove	CLOC 28	Credit	Dec-99	Dec-04	\$10,935,000	\$104,856	\$11,039,856	\$10,465	\$126,521
Starter/Alternator	CLOC 29	Credit	Sep-99	Sep-05	\$5,000,000	\$73,973	\$5,073,973	\$7,696	\$36,307
Adelanto PUA, Series A	CLOC 30	Credit	Feb-00	Feb-05	\$9,385,000	\$166,616	\$9,551,616	\$0	\$34,153
Adelanto PUA, Series B, C	CLOC 30	Credit	Feb-00	Feb-05	\$34,940,000	\$620,305	\$35,560,305	\$0	\$126,239
San Francisco Conservatory of Music	CLOC 31	Credit	Mar-00	Mar-05	\$10,000,000	\$170,959	\$10,170,959	\$0	\$92,810
Oakland-Alameda Cnty Coliseum	STRS 30	Credit	May-00	May-03	\$51,200,000	\$942,641	\$52,142,641	\$26,286	\$253,898
City of Compton	CLOC 33	Credit	Jun-00	Jun-05	\$5,485,000	\$104,591	\$5,589,591	\$12,229	\$24,458
Marborg Industries (Term 2 yrs)	CLOC 34	Credit	Jun-00	Jun-04	\$5,425,000	\$82,044	\$5,507,044	\$0	\$15,257
AAA Packing & Shipping Inc.	CLOC 35	Credit	Jun-00	Jun-05	\$3,000,000	\$44,384	\$3,044,384	\$0	\$12,867
City of Lake Elsinore	CLOC 36	Credit	Jul-00	Jul-05	\$15,660,000	\$288,316	\$15,948,316	\$0	\$80,948
City of Duarte	CLOC 37	Credit	Apr-01	Apr-05	\$6,000,000	\$110,466	\$6,110,466	\$0	\$12,221
City of Vallejo	CLOC 38	Credit	May-01	May-05	\$16,350,000	\$311,770	\$16,661,770	\$0	\$33,324
Megatoys	CLOC 40	Credit	Jun-01	Jun-06	\$3,000,000	\$54,247	\$3,054,247	\$0	\$12,217
Oakland-Alameda Arena	STRS 40	Credit	Jul-01	Jul-04	\$42,300,000	\$2,347,650	\$44,647,650	\$20,423	\$87,573
Beaumont Wastewater	CLOC 41	Credit	Aug-01	Aug-05	\$9,790,000	\$177,025	\$9,967,025	\$0	\$19,580
Advance Business Graphics	CLOC 42	Credit	Aug-01	Aug-05	\$6,050,000	\$89,507	\$6,139,507	\$0	\$30,877
Santa Clara 2001A	CLOC 43	Credit	Oct-01	Oct-04	\$7,560,000	\$111,847	\$7,671,847	\$0	\$26,694
The Ratto Group	CLOC 44	Credit	Nov-01	Nov-04	\$9,845,000	\$145,652	\$9,990,652	\$0	\$34,749
City of Montebello	CLOC 45	Credit	Dec-01	Dec-04	\$8,750,000	\$163,973	\$8,913,973	\$0	\$17,828
Plastikon Industries Project	CLOC 46	Credit	Jan-02	Jan-05	\$6,500,000	\$230,795	\$6,730,795	\$23,558	\$23,558
City of Sanger	CLOC 47	Credit	Mar-02	Mar-05	\$16,590,000	\$327,255	\$16,917,255	\$0	\$34,304
Las Palomas	CLOC 48	Credit	Apr-02	Apr-05	\$5,100,000	\$78,200	\$5,178,200	\$0	\$12,946
Madera Municipal Golf Course	CLOC 49	Credit	May-02	May-05	\$5,140,000	\$167,578	\$5,307,578	\$0	\$10,763
California Waste Solutions, Inc.	CLOC 51	Credit	May-02	May-05	\$11,275,000	\$166,808	\$11,441,808	\$0	\$46,165
7/11 Materials, Inc.	CLOC 52	Credit	Jun-02	Jun-05	\$5,000,000	\$75,000	\$5,075,000	\$0	\$20,477
West Covina	CLOC 53	Credit	Jun-02	Jun-05	\$22,395,000	\$441,764	\$22,836,764	\$0	\$57,885
City of Palm Springs	CLOC 55	Credit	Aug-02	Jul-05	\$8,000,000	\$152,548	\$8,152,548	\$20,664	\$20,664
Trademark Plastics, Inc.	CLOC 56	Credit	Sep-02	Sep-05	\$4,275,000	\$63,247	\$4,338,247	\$17,504	\$17,504

Transaction	LOC #	Type	Closing Date	End of Commitment	Principal Commitment	Interest Commitment	Total Commitment	Fiscal 2002-03 Fee Income	Fee Income To Date
CONFIRMING LETTERS OF CREDIT & OTHER INDIRECT RISK SUBTOTAL					\$547,798,111	\$15,432,429	\$563,230,540	\$212,899	\$3,163,564
REDEEMED TRANSACTIONS									
REDEEMED SUBTOTAL					\$0	\$0	\$0	\$39,253	\$3,874,509
GRAND TOTAL					\$1,288,518,361	\$45,060,907	\$1,333,022,386	\$829,893	\$12,813,269

CalSTRS CREDIT ENHANCEMENT PROGRAM
CREDIT ENHANCEMENT EXPOSURE
PROGRAM SUMMARY AS OF SEPTEMBER 30, 2002

Borrower	Financial Institution	Principal Commitment	Interest Commitment	Total Commitment	Portfolio Percentage	Moody's Rating	S&P Rating
DIRECT RISK *							
Port of Long Beach	(Dexia)	\$87,500,000	\$0	\$87,500,000	6.56%	Aa3	AA-
Buck Research Ctr on Aging	(Bank of New York)	\$27,800,000	\$402,148	\$28,202,148	2.12%	not rated	not rated
Lewis & Clark 2000 Series A	(Bank of New York)	\$25,000,000	\$2,284,932	\$27,284,932	2.05%	not rated	not rated
CHFA 2000 Multi-fam A & B	(Helaba Bank)	\$24,710,000	\$1,532,020	\$26,242,020	1.97%	Aa3	AA-
CHFA 2000 Multi-fam C & D	(Helaba Bank)	\$20,482,500	\$1,269,915	\$21,752,415	1.63%	Aa3	AA-
LA Fairplex	(Allied Irish Bank)	\$19,700,000	\$265,545	\$19,965,545	1.50%	not rated	not rated
Pasadena Rose Bowl	(Bank of New York)	\$13,850,000	\$245,885	\$14,095,885	1.06%	A2	A+
Kern High School 2001	(Bank of New York)	\$12,853,000	\$301,688	\$13,154,688	0.99%	A2	not rated
CHFA HMRB '99 Series P & Q	(Cmmrzbkn Aktiengesellschaft)	\$6,865,000	\$425,630	\$7,290,630	0.55%	Aa2	AA-
Public Policy Institute 2001B	(Bank of New York)	\$10,217,500	\$114,212	\$10,331,712	0.78%	not rated	AA
Lewis & Clark 2002 Series A	(Bank of New York)	\$10,000,000	\$157,808	\$10,157,808	0.76%	not rated	not rated
Pasadena Parking Authority	(Bank of New York)	\$7,850,000	\$605,104	\$8,455,104	0.63%	A2	A+
Public Policy Institute 2001A	(Bank of New York)	\$6,532,500	\$73,021	\$6,605,521	0.50%	not rated	AA
Kern High School 1995A	(Bank of New York)	\$5,800,000	\$114,411	\$5,914,411	0.44%	A2	not rated
Kern High School 1995B	(Bank of New York)	\$4,425,000	\$87,288	\$4,512,288	0.34%	A2	not rated
TOTAL - DIRECT RISK		\$283,585,500	\$7,879,607	\$291,465,107	22%		

** These are direct risk transactions. The obligations of CalSTRS and the partner financial institutions are several and not joint. CalSTRS is not responsible for the obligation of the partner financial institution.*

CalSTRS CREDIT ENHANCEMENT PROGRAM
CREDIT ENHANCEMENT EXPOSURE
PROGRAM SUMMARY AS OF SEPTEMBER 30, 2002

Borrower	Financial Institution	Principal Commitment	Interest Commitment	Total Commitment	Portfolio Percentage	Moody's Rating	S&P Rating
INDIRECT RISK & FINANCIAL INSTITUTION EXPOSURE **							
Various borrowers	Union Bank of California, N.A.	\$374,544,335	\$11,088,816	\$385,633,151	28.93%	A1	A-
Various borrowers	FSA	\$154,745,000	\$13,017,712	\$167,762,712	12.59%	Aaa	AAA
Various borrowers	MBIA	\$145,501,000	\$4,079,644	\$149,580,644	11.22%	Aaa	AAA
Various borrowers	AMBAC	\$93,578,750	\$3,282,371	\$96,304,239	7.22%	Aaa	AAA
Various borrowers	Sumitomo Mitsui Banking Corp.	\$42,300,000	\$2,347,650	\$44,647,650	3.35%	A3	BBB+
Various borrowers	City National Bank	\$34,960,000	\$532,939	\$35,492,939	2.66%	A3 ¹ / Aaa ²	BBB ⁺ / AAA ²
Various borrowers	The Sakura Bank, Ltd.	\$23,600,026	\$434,499	\$24,034,525	1.80%	A3	BBB+
Various borrowers	United California Bank	\$22,135,000	\$381,962	\$22,516,962	1.69%	A2	BBB+
Various borrowers	Bank of America	\$14,500,000	\$319,562	\$14,819,562	1.11%	Aa1	AA-
Various borrowers	East West Bank	\$11,275,000	\$166,808	\$11,441,808	0.86%	Aaa ³	AAA ³
Various borrowers	Bank of Tokyo-Mitsubishi, Ltd.	\$11,015,000	\$130,369	\$11,145,369	0.84%	A2	A-
Various borrowers	Tokai Bank of California	\$10,935,000	\$104,856	\$11,039,856	0.83%	A3	BBB
Various borrowers	Westamerica Bancorp	\$9,845,000	\$145,652	\$9,990,652	0.75%	Aaa ³	AAA ³
Various borrowers	General Bank	\$8,300,000	\$221,712	\$8,521,712	0.64%	Aaa ³	AAA ³
Various borrowers	Wells Fargo Bank	\$7,335,000	\$163,983	\$7,498,983	0.56%	Aa1	AA-
Various borrowers	Unibank	\$6,000,000	\$134,137	\$6,134,137	0.46%	Aa3	A+
Various borrowers	Santa Barbara Bank & Trust	\$5,425,000	\$82,044	\$5,507,044	0.41%	Aaa ³	AAA ³
Various borrowers	US Bank	\$5,000,000	\$73,973	\$5,073,973	0.38%	Aa2	A+
Various borrowers	PFF Bank and Trust	\$4,275,000	\$63,247	\$4,338,247	0.33%	Aaa ³	AAA ³
Various borrowers	Hibernia National Bank	\$3,790,000	\$84,730	\$3,874,730	0.29%	A3	BBB+
Various borrowers	Comerica Bank - California	\$3,700,000	\$82,717	\$3,782,717	0.28%	A1	A
Various borrowers	Far East National Bank	\$3,000,000	\$54,247	\$3,054,247	0.23%	Aaa ³	AAA ³
Various borrowers	Coast Commercial Bank	\$2,300,000	\$51,419	\$2,351,419	0.18%	Aaa ³	AAA ³
Various borrowers	First National Bank	\$2,303,750	\$34,083	\$2,337,833	0.18%	Aaa ³	AAA ³
Various borrowers	Bank of Nova Scotia	\$2,220,000	\$49,631	\$2,269,631	0.17%	Aa3	A+
Various borrowers	Wachovia Bank, Ntnl Assoc	\$1,300,000	\$29,063	\$1,329,063	0.10%	Aa3	A+
Various borrowers	Mellon Bank	\$690,000	\$15,426	\$705,426	0.05%	Aa3	AA-
Various borrowers	Mellon 1st Business Bank	\$360,000	\$8,048	\$368,048	0.03%	A2	A+
TOTAL - INDIRECT RISK & FINANCIAL INSTITUTIONS		\$1,004,932,861	\$37,181,300	\$1,041,557,279	78%		
TOTAL CREDIT ENHANCEMENT EXPOSURE		\$1,288,518,361	\$45,060,907	\$1,333,022,386	100%		

**** These are indirect risk transactions. CalSTRS is in a second loss position. CalSTRS is obligated to pay only if the fronting financial institution is unable to.**

¹ \$7 million bank risk

² \$14 million treasury/agency-backed securities

³ Treasury or agency-backed securities

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Alternative Investments
Activity Status Report

ITEM NUMBER: 9

ATTACHMENT(S): 2b

ACTION: _____

DATE OF MEETING: November 6, 2002

INFORMATION: X

PRESENTER(S): Réal Desrochers

The table below contains Alternative Investment activity for the month of September 2002 and historical information for selected time periods.

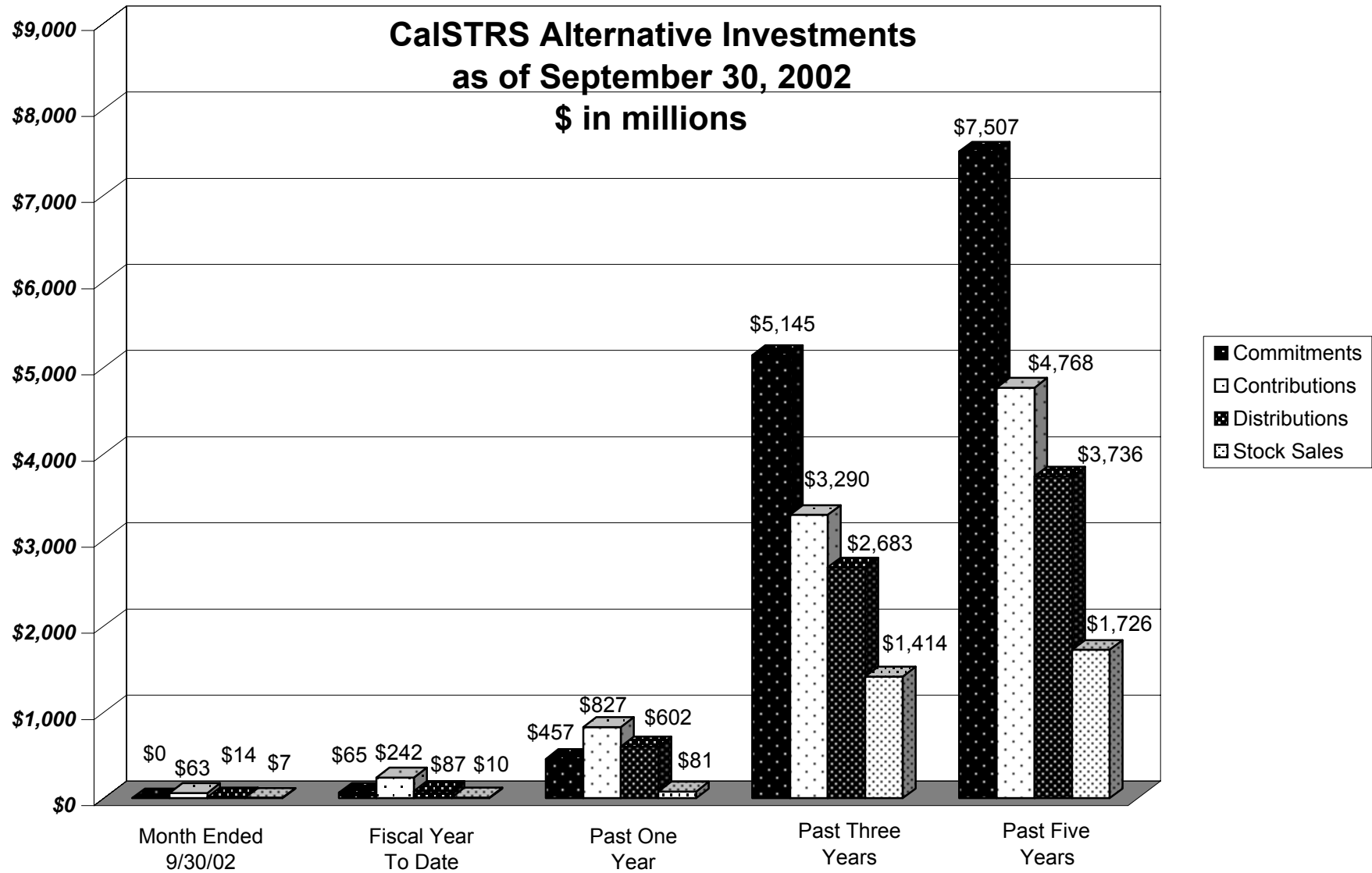
	Month Ended 09/30/02	Fiscal Year To Date	Past One Year	Past Three Years	Past Five Years
<u>Commitments:</u>					
Partnerships	0	\$ 40,000,000	\$ 419,035,000	\$ 4,923,875,000	\$ 7,180,879,013
Co-Investments	0	25,000,000	37,500,000	219,011,858	244,011,854
Secondaries	0	0	0	2,047,424	82,114,669
	\$ 0	\$ 65,000,000	\$ 456,535,000	\$ 5,144,934,282	\$ 7,507,005,536
<u>Contributions:</u>					
Partnerships	\$ 62,056,527	\$ 237,246,652	\$ 791,364,103	\$ 3,090,628,243	\$ 4,462,525,111
Co-Investments	0	2,500,000	19,729,049	144,531,736	169,531,732
Secondaries	622,000	912,000	1,422,165	14,089,344	77,424,575
Mgmt. Fees (Outside)	0	1,810,309	14,270,876	40,489,645	58,571,255
	\$ 62,678,527	\$ 242,468,961	\$ 826,786,193	\$ 3,289,738,968	\$ 4,767,638,672
<u>Distributions:</u>					
Cash	\$ 7,785,190	\$ 75,698,212	\$ 515,413,790	\$ 1,256,323,454	\$ 2,018,564,368
Stock	5,852,109	10,973,638	86,713,574	1,426,197,591	1,717,169,034
	\$ 13,637,299	\$ 86,671,850	\$ 602,127,365	\$ 2,682,521,046	\$ 3,735,733,401
Stock Sales	\$ 6,620,261	\$ 10,408,615	\$ 80,826,695	\$ 1,413,519,204	\$ 1,725,672,097

The chart presented in the following attachment illustrates the total amount of capital that CalSTRS has committed and contributed to its limited partnerships, co-investments, and secondary interests for the five-year period ending September 30, 2002. The chart also illustrates the amount of distributions received and stock sold over the past five years. For the five-year period ending September 30, 2002, CalSTRS received total distributions of over \$3.7 billion, representing 78% of contributed capital.

During the month of August, a \$25,000,000 commitment in a co-investment to Kelso Nortek Investors, LLC was made. This investment is contingent upon the approval of Nortek's shareholders. The shareholder vote is expected to occur in December 2002.

During the month of October, staff made commitments of \$100,000,000 to The Resolute Fund, L.P. and €26,000,000 to Fondinvest VI. Both of these commitments were made in accordance with delegation of authority guidelines.

The Executive Summaries of these investments are presented on the following pages.



C-I #16

Alternative Investments

EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY
Kelso Investment Associates VI (Kelso)

Kelso Nortek Investors LLC

Action: Commitment of \$25 million in a co-investment in Nortek Inc. subject to the successful negotiation of legal terms and conditions. The investment will take the form of \$25 million investment in a Limited Liability Corporation (LLC), which will invest in common equities.

Background: Kelso Investment Associates VI (Kelso), one of the CalSTRS General Partners, and Kelso Equity Partners VI (KEP VI), a side by side fund for Kelso partners, have raised \$375 million for this acquisition (KIA VI \$233.75 mil, KEP VI \$41.25, and Kelso co-investors \$100 mil). The current management team will be investing at least \$43.6 million in the Company. The investment funds will be used to take the company private. It currently trades on the New York Stock Exchange.

Nortek Inc. is a diversified manufacturer of residential and commercial building products, operating within three principal segments: the Residential Building Products Segment, the Air Conditioning and Heating Products Segment, and the Windows, Doors, and Siding Products Segment.

The CalSTRS co-investment of \$25 million and the additional indirect investment of \$23.375 million through KIA VI will represent 11.2% of the investment. There is a strong alignment of interests in this transaction. Kelso partners are investing \$41.25 million; the Nortek Management team is supporting the recapitalization and is investing \$43.6 million of its own money.

Investors: KIA VI, KEP VI, Nortek Management, New York Common Fund, NY Life, TIAA, and Citigroup are all investors in Nortek.

INVESTMENT THESIS

The Nortek investment is a recapitalization of a mature company at a reasonable valuation, 6.2 x 2001 EBITDA. Nortek has the following characteristics: solid end-market fundamentals, management depth and experience, attractive platform for continued industry consolidation, less sensitive to market cyclicality, synergy and organic growth potential, strong branding opportunities, leading market positions, nationally recognized brand names, low cost manufacturing, and financial strength.

Nortek is the #1 manufacturer in North America in five of its product lines, and has strong positions in other product lines. The Company has a history of providing strong cash flows, which are expected to reduce debt by over 50% over the next 5-6 years, which will be the impetus for the expected private equity returns.

Policy Compliance: This investment complies with the Alternative Investment Policies, which were approved in April 1999. Positive written recommendations by the Independent Fiduciary (KPMG) and Staff have been documented. The recommendations resulted after investment analysis and due diligence were conducted in a manner as previously reviewed and approved by the Investment Committee.

Recommendation: Staff recommends that CalSTRS commit up to \$25 million to Kelso Nortek Investment LLC. The recommendation is based on the strong historical performance of the Company, a management team, which has a lengthy track record in the industry, a strong product line-up with leading market share, and finally a strong alignment of interests with both the Nortek management team, as well as the Kelso principals. The CalSTRS' commitment is subject to the successful negotiation of legal terms and conditions.

By:

Richard Rose
Principal Investment Officer

Date: _____

Recommended by:

Real Desrochers
Director-Alternative Investments

Date: _____

Approved by:

Christopher Ailman
Chief Investment Officer

Date: _____

Delegation #59

Alternative Investments

EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY
Fondinvest VI

Action: Commit up to €26 million to Fondinvest VI which represents 7% of the total capitalization of the fund.

Background: Fondinvest VI, *Fonds Commun de Placement à Risques* (Fondinvest VI) is being formed by the Principals of Fondinvest Capital to continue the diversified secondary fund-of-funds strategy they pursued in their previous secondary funds, Fondinvest II and Fondinvest IV. Fondinvest Capital is a private equity fund-of-funds investment firm based in Paris. CDC IXIS Private Equity (a subsidiary of Caisse des Dépôts et Consignations) owns 80 percent of the firm, while Ecureuil Vie (a French insurance company) and BancBoston Capital (a subsidiary of Fleet) each hold 10 percent.

Fondinvest was created in 1993 and since inception has raised three primary funds-of-funds (Fondinvest I, III and V) with total commitments of €220 million, and three secondary funds-of-funds (Fondinvest II, IV and VI) with total commitments of €400 million. Fondinvest has historically managed primary and secondary funds-of-funds concurrently and this will continue with Fondinvest V and Fondinvest VI. Each of these funds has held an initial closing. Fondinvest VI has total commitments to date of €200 million.

Analysis: The Principals will continue to emphasize a strategy focused on the purchase of small to medium size secondary interests in relatively mature private equity funds and the acquisition of portfolios of unlisted securities at a significant discount to the net asset value of these securities. The firm also intends to maintain a high degree of diversification with respect to geographic area, business sectors, investment approaches taken by fund management teams, and segments of the private equity market—early stage, equity expansion and buyout.

Investment Thesis: Staff recommends an investment in Fondinvest VI for the following reasons:

- Staff has identified Fondinvest as a Tier 1 Manager.
- The Fondinvest funds have consistently generated strong investment returns. Fondinvest II has produced returns in excess of the Venture Economics upper quartile benchmark, while Fondinvest IV is in the second quartile.
- The General Partners are experienced private equity investors with a proven investment strategy.
- The Principals are offering co-investment opportunities with no management fee and no carried interest.
- The Fondinvest investment strategy provides a good fit in the CalSTRS' portfolio.

Policy Compliance: This decision complies with the portfolio's policies and procedures, which were approved by the Investment Committee on June 3, 1998. Positive written recommendations by Pension Consulting Alliance and CalSTRS' staff have been documented. The investment analysis and due diligence were conducted in the manner previously reviewed and approved by the Investment Committee.

Recommendation: Staff recommends that CalSTRS commit up to €26 million to Fondinvest VI. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

By:

Seth C. Hall
Investment Officer

Date _____

Recommended:

Réal Desrochers
Director of Alternative Investments

Date _____

Approved:

Christopher J. Ailman
Chief Investment Officer

Date _____

Delegation #60

Alternative Investments

EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY

The Resolute Fund, L.P.

Action: Commit up to \$100 million to The Resolute Fund, L.P. which represents 6.67% of the total capitalization of the fund.

Background: TJC was founded in 1982 by John (“Jay”) Jordan, II and David Zalaznick. TJC is a private investment firm that specializes in buying and building middle market companies in partnership with management. Since 1987, TJC’s acquisition capital has been provided by JZ Equity Partners plc (“JZEP”), a closed-end fund listed on the London Stock Exchange. The Resolute Fund is the first institutional limited partnership fund to be managed by TJC.

The founders’ private equity investment experience dates back to the early 1970’s. After joining Carl Marks & Co., Inc. (“CM”) in 1972, Jay Jordan became an early player in the buyout industry by establishing and developing CM’s leveraged buyout investment operations. David Zalaznick joined him at CM in 1980.

Analysis: The Resolute Fund will employ the same value-based strategy that it has used throughout its history. TJC focuses first and foremost on value investments, i.e., acquiring businesses at reasonable cash flow multiples. TJC then has two primary (and often overlapping) modes of adding value to its investments: 1) operations improvement (i.e., profitability improvement) and 2) strategic buildup (i.e., transforming small or regional businesses into large, integrated enterprises through a combination of internal growth and strategic acquisitions). TJC targets companies with a history of consistent cash flow generation, high operating margins and limited capital requirements.

Investment Thesis: Staff recommends an investment in BCP IV for the following reasons:

- Staff has identified TJC as a Tier 1 Manager.
- TJC's investments have produced returns consistent with Venture Economics' Upper Quartile benchmark.
- TJC's investment professionals are very experienced and the team has been remarkably stable for many years.
- TJC has remained very disciplined and focused on its successful value-oriented strategy throughout its history.
- The overall alignment of interests between the General Partner and LP's is excellent.
- Based on the comments of those interviewed as references and staff's brief experience with the general partner, TJC's investment professionals uphold very high professional and ethical standards.
- Staff has received a positive investment recommendation from Pathway Capital Management.

Policy Compliance: This decision complies with the portfolio's policies and procedures, which were approved by the Investment Committee and updated on July 2001. Positive written recommendations by Pathway Capital and CalSTRS' staff have been documented. The investment analysis and due diligence were conducted in the manner previously reviewed and approved by the Investment Committee.

Recommendation: Staff recommends that CalSTRS commit up to \$100 million to The Resolute Fund, L.P. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

By:

Margot J. Wirth
Investment Officer

Date _____

Recommended:

Réal Desrochers
Director of Alternative Investments

Date _____

Approved:

Christopher J. Ailman
Chief Investment Officer

Date _____

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Real Estate – Monthly Status Report

ITEM NUMBER: 9

ATTACHMENT(S): 3c

ACTION: _____

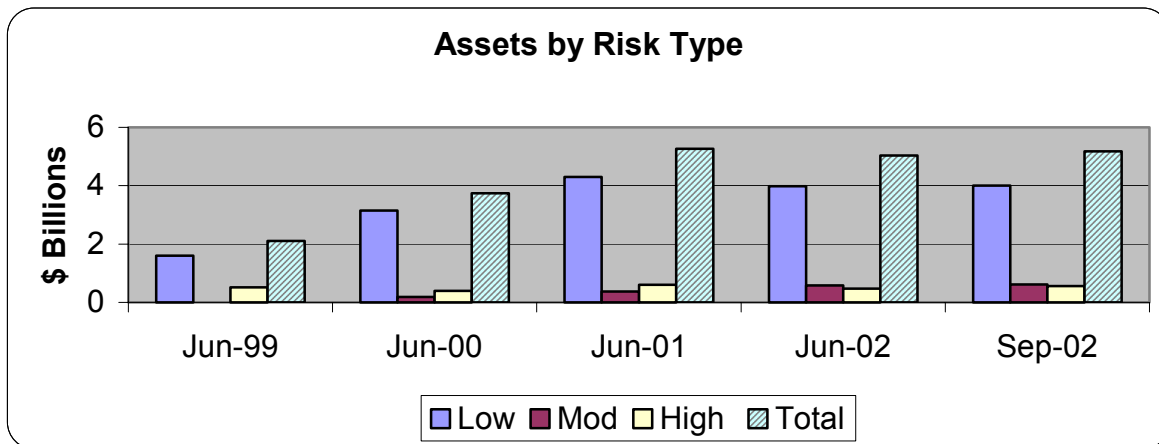
DATE OF MEETING: November 6, 2002

INFORMATION: X

PRESENTER(S): Mike DiRé and Hank Thomas

In accordance with the Investment Management Plan, CalSTRS has established an allocation for investment real estate to 7% of the total assets. The primary role of investment real estate is to improve diversification of the overall investment portfolio. Secondary objectives are to generate an enhanced yield to the actuarial plan rate assumption, and to provide stable cash flows. The real estate portfolio will incorporate a combination of low, moderate, and high risk real estate investment strategies to implement the approved plan.

The table and charts below show the growth of the overall real estate portfolio over the past five years.

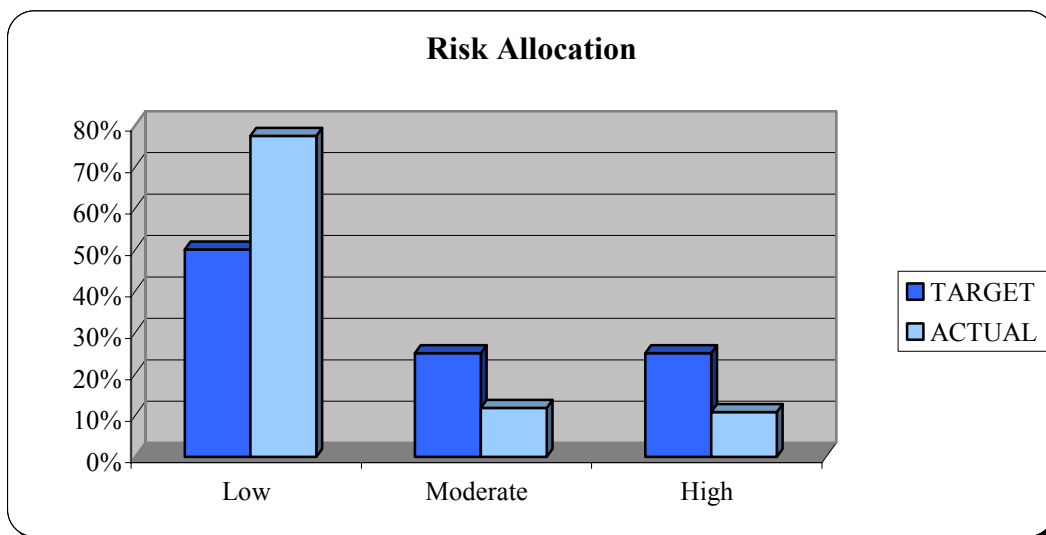


Growth of Real Estate Portfolio

		Jun-00	Jun-01	Jun-02	Sep-02
Low	\$1,597	\$3,152	\$4,300	\$3,979	\$4,005
Mod	\$0	\$189	\$368	\$585	\$613
High	\$511	\$399	\$602	\$470	\$550
Total	\$2,108	\$3,740	\$5,270	\$5,034	\$5,179

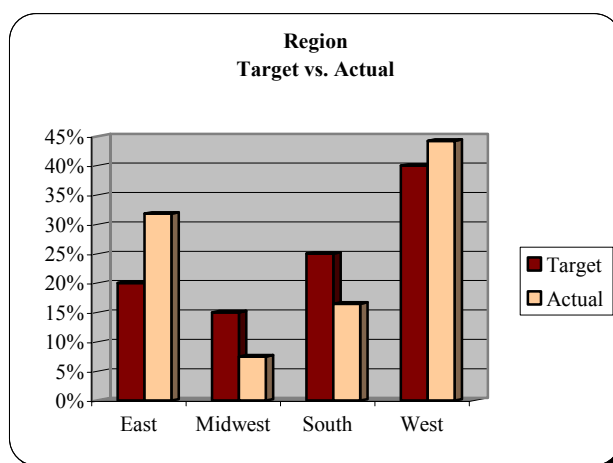
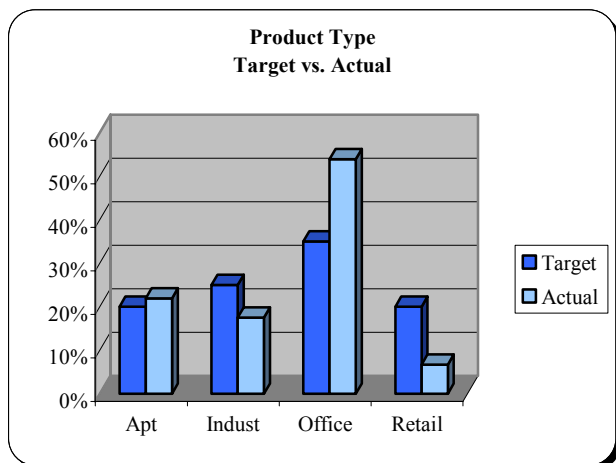
Graph shown in billions, table shown in millions

Targeted Risk Allocation Versus Actuals



The Low Risk portfolio is managed subject to diversification guidelines by product type and by regional area in the United States. The target allocation and the portfolio holdings as of September 30, 2002 are shown below.

Low Risk Portfolio - Target vs. Actual



The attached contains a summary of high risk opportunity fund commitments and capital accounts since inception. Also identified are specific transactions closed during the prior month and joint venture partnership activity to date.

**CalSTRS REAL ESTATE OPPORTUNITY FUND ACTIVITY STATUS REPORT
COMMITMENTS AND CAPITAL SUMMARY**

As of September 30, 2002

Opportunity <u>Fund</u>		Date Fund <u>Closed</u>	Fund <u>Size</u>	STRS <u>Commitment</u>	Amount Funded <u>by STRS</u>	Unfunded <u>Commitment</u>	<u>Since Inception</u>	
							<u>Returned Capital</u>	<u>Income Received</u>
Colony II		Apr-95	\$625,000,000	\$150,000,000	\$146,789,147	0	\$81,461,126	\$51,576,270
M.Stanley II	(1)	Nov-95	1,051,000,000	200,000,000	253,928,985	0	176,999,085	172,468,688
Lazard Freres		May-96	645,000,000	150,000,000	150,000,000	0	55,437,571	40,349,901
Lazard Freres - Co-Investment		May-96						
AAC/UDR	(2)		26,984,444	26,984,444	26,984,444	0	26,984,444	23,511,286
Dermody	(3)		19,841,270	19,841,270	19,841,270	0	0	8,619,485
William E. Simon & Sons		Jan-01	306,650,000	76,662,500	65,913,678	10,748,822	1,383,232	241,768
William E. Simon - Co-Investment								
SKS	(4)	Jan-01	57,223,810	40,056,667	40,104,069	-47,402	3,237,911	1,248,371
CIM Urban Real Estate Fund		Mar-01	178,947,369	45,000,000	2,444,490	42,555,511	1,541,976	0
Soros Real Estate Investors		Jul-01	1,000,000,000	75,000,000	27,096,913	47,903,087	3,566,776	560,572
M.Stanley IV		Dec-01	2,250,000,000	200,000,000	51,395,794	148,604,206	0	1,891,780
Lone Star IV		Dec-01	2,278,787,879	200,000,000	9,501,912	190,498,088	212,645	0
Beacon Capital Partners		Jul-02	740,000,000	50,000,000	4,000,000	46,000,000	0	0
Canyon-Johnson Urban Fund		Jul-02	210,000,000	50,000,000	16,400,791	33,599,209	0	0
CJUF - Co-Investment								
Sunset & Vine Project	(5)	Jul-02	47,050,000	20,000,000	16,581,593	3,418,407	0	0
TOTALS				<u>\$1,303,544,881</u>	<u>\$830,983,085</u>	<u>\$523,279,928</u>	<u>\$350,824,766</u>	<u>\$300,468,121</u>

- (1) "Amount Funded by CalSTRS" amount includes reinvestment proceeds, per Partnership Agreement.
(2) CalSTRS co-investment is in American Apartment Communities/United Dominion Realty Trust, Inc.
(3) CalSTRS co-investment is in DP Operating Partnership Limited (Dermody).
(4) CalSTRS co-investment is in SKS, an office development platform in San Francisco.
(5) CalSTRS co-investment is in the Sunset & Vine project, a multi-property type urban development in Hollywood.

CalSTRS REAL ESTATE DIRECT ACQUISITIONS and DISPOSITIONS

September 30, 2002

ACQUISITIONS

<u>Property</u>	<u>ADVISOR</u>	<u>TYPE</u>	<u>ACQUISITION DATE</u>	<u>RISK</u>	<u>LOCATION</u>	<u>AMOUNT</u>	<u>DISPOSITION SALE DATE</u>	<u>IRR *</u>
No Activity								
Total Acquisitions						<u>\$ -</u>		

DISPOSITIONS

No Activity								
Total Dispositions						<u>\$ -</u>		

*Acquisitions - IRR represents projected after fee Dispositions - IRR represents since inception, after fee to CalSTRS

CalSTRS REAL ESTATE JOINT VENTURE PARTNERSHIPS

September 30, 2002

<u>Partnership</u>	<u>Fiduciary</u>	<u>Initial Funding Date</u>	<u>Type</u>	<u>Risk</u>	<u>Location</u>	<u>Commitment</u>	<u>Amount Funded Since Inception</u>	<u>Unfunded Commitment</u>
SF Waterfront Partners, LLC	The McMahan Group	October-01	Office/Mixed	High	San Francisco (Urban)	\$ 12,700,000	\$ 2,159,530	\$ 10,540,470
Waterton Residential Property	The McMahan Group	June-02	Apartment	High	National	\$ 85,000,000	\$ 25,101,000	\$ 59,899,000
Fairfield Urban Housing	The McMahan Group	September-02	Apartment	High	California	\$ 75,000,000	\$ 13,539,640	\$ 61,460,360
AIMCO Student Housing	Heitman Capital Mgmt		Apartment	High	National	\$ 150,000,000	\$ -	\$ 150,000,000
Total JV Partnerships						<u>\$ 322,700,000</u>	<u>\$ 40,800,170</u>	<u>\$ 281,899,830</u>